

106TH CONGRESS
2D SESSION

H. R. 4540

To amend the Consumer Credit Protection Act to enhance the advertising of the terms and costs of consumer automobile leases, to permit consumer comparison of advertised lease offerings, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 25, 2000

Mr. LAFALCE introduced the following bill; which was referred to the
Committee on Banking and Financial Services

A BILL

To amend the Consumer Credit Protection Act to enhance the advertising of the terms and costs of consumer automobile leases, to permit consumer comparison of advertised lease offerings, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Consumer Automobile Lease Advertising Improvement
6 Act of 2000”.

7 (b) REFERENCE.—Whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
2 shall be considered to be made to a section or other provi-
3 sion of the Consumer Credit Protection Act.

4 **SEC. 2. FINDINGS AND PURPOSE.**

5 (a) FINDINGS.—The Congress finds the following:

6 (1) There has been a continuing trend toward
7 leasing of automobiles by consumers as an alter-
8 native to installment credit sales, with automobile
9 leases now constituting over one-third of all new
10 automobile transactions.

11 (2) Current automobile leasing practices do not
12 provide consumers with consistent or adequate infor-
13 mation to permit comparison shopping among lease
14 offerings. Important information about lease costs
15 and terms are not available until the consumer visits
16 an automobile dealership, are typically provided only
17 as part of lease negotiations, and often are not fully
18 disclosed until the signing of the lease documents.

19 (3) Automobile lease advertisements tend to
20 confuse and mislead consumers by highlighting the
21 most attractive terms of leases, by minimizing or
22 omitting additional costs, terms or penalties, and by
23 advertising monthly payment amounts based on
24 lease terms that are different from those customarily
25 offered to or selected by consumers.

1 (4) With leases accounting for a large and
2 growing percentage of all new automobile trans-
3 actions, there is increasing need for automobile man-
4 ufacturers, automobile dealers and other firms in-
5 volved in leasing to provide more relevant and easily
6 understood information in advertising and in writing
7 at the auto dealership to permit consumers to evalu-
8 ate intelligently the attractiveness of leases offered
9 by an automobile dealership, to compare terms of
10 leases offered and advertised by competing dealer-
11 ships, and to compare the benefits of automobile
12 leases with alternative purchase transactions.

13 (b) PURPOSE.—The purpose of the amendments
14 made by this Act is to provide consumers with more rel-
15 evant and easily understood information regarding the
16 terms and costs of lease offerings earlier in the leasing
17 process to permit consumers to compare lease and pur-
18 chase options and to comparison shop among competing
19 lease opportunities.

20 **SEC. 3. APPLICABLE CONSUMER LEASES.**

21 Section 181(1) of the Consumer Credit Protection
22 Act (15 U.S.C. 1667(1)) is amended—

23 (1) by striking “\$25,000” and inserting
24 “\$50,000”; and

1 (2) by adding at the end the following: “The
 2 limit on the contractual obligation which comes with-
 3 in such term shall be adjusted annually based upon
 4 the change reported in the Consumer Price Index by
 5 the Department of Labor in June of the preceding
 6 year.”.

7 **SEC. 4. GENERAL LEASE ADVERTISING.**

8 (a) AMENDMENTS.—Section 184(a) (15 U.S.C.
 9 1667c) is amended—

- 10 (1) by striking “(a)” and inserting “(a)(1)”;
- 11 (2) by redesignating paragraphs (1) through
 12 (5) as subparagraphs (A) through (E), respectively;
- 13 (3) by adding at the end the following:

14 “(2) Identification in a television advertisement
 15 of the advertised transaction as a lease, as required
 16 by paragraph (1)(A), shall be included in both the
 17 audio and video portions of the television advertise-
 18 ment.

19 “(3) The requirements of this subsection shall
 20 apply to all advertisements for a consumer lease, in-
 21 cluding advertisements on television, radio and vid-
 22 eotape; print advertisements in publications, news-
 23 letters and fliers; advertisements by toll-free tele-
 24 phone numbers; and advertisements in electronic

1 media, including internet webpages, e-mail, CD-
2 ROMs and interactive computer services.”.

3 (b) CONFORMING AMENDMENTS.—Section 184(c)
4 (15 U.S.C. 1667c(c)) is amended by striking “subsection
5 (a)” each time it occurs and inserting “subsection (a)(1)”
6 and in paragraph (1) by striking “paragraphs (1) and
7 (2)” and inserting “subparagraphs (A) and (B)”.

8 **SEC. 5. ADVERTISEMENT FOR AUTOMOBILE LEASE.**

9 Section 184 (15 U.S.C. 1667c) is amended by adding
10 at the end the following:

11 “(d) ADVERTISEMENT FOR AUTOMOBILE LEASE.—

12 “(1) IN GENERAL.—An advertisement to pro-
13 mote a lease for an automobile that includes a
14 scheduled lease payment amount that applies only to
15 a single vehicle, or to a limited number of vehicles
16 of the same vehicle make, model and year, shall
17 clearly and conspicuously state that the advertised
18 payment amount applies only to a single vehicle, or
19 shall clearly and conspicuously state the number of
20 vehicles of the same vehicle make and model to be
21 made available for lease at the advertised payment
22 amount.

23 “(2) LEASE PAYMENT AMOUNTS.—

24 “(A) An advertisement to promote a lease
25 for an automobile that states a lease payment

1 amount, or must state a lease payment amount
2 under subsection (a)(1)(D), shall calculate such
3 payment amount on the basis of a lease pay-
4 ment formula which the Board shall set forth in
5 regulation and which shall be based on the fol-
6 lowing information—

7 “(i) the total capitalized cost of the
8 vehicle model advertised, which shall not be
9 reduced or adjusted by any down payment
10 amount, capitalized cost reduction, vehicle
11 trade-in amount or other required pay-
12 ment;

13 “(ii) a lease term of twenty-four (24)
14 months, or such other lease term that the
15 Board may determine in regulation as rep-
16 resentative of prevailing industry practice;
17 and

18 “(iii) a mileage allowance before any
19 excess mileage charge may be imposed of
20 12,000 miles for each year of the lease
21 term, or such other annual mileage allow-
22 ance which the Board may determine in
23 regulation as providing a more representa-
24 tive estimate of vehicle use and potential
25 costs to the consumer.

“(B) An advertisement to promote a lease for an automobile that states a lease payment for a vehicle model as provided under subparagraph (A) may state a lease payment amount for the same vehicle model that is different than that required to be stated under subparagraph (A): *Provided, however,* That—

“(i) the lease payment amount is not presented more prominently than the lease payment amount required to be stated under subparagraph (A); and

“(ii) the advertisement clearly and conspicuously identifies the lease terms or payment amounts that explain the difference between the lease payment amount and the payment amount required to be stated under subparagraph (A).”.

SEC. 6. AVAILABILITY OF LEASE INFORMATION.

Section 184 (15 U.S.C. 1667c), as amended by section 6, is amended by adding at the end the following:

“(e) AVAILABILITY OF INFORMATION.—An automobile dealer that engages in any advertising to promote or assist a consumer lease, or that participates in any advertised national or regional promotion for a consumer lease, shall make available to the public, as appropriate

1 and in such format as the Board shall determine in regula-
2 tion, the following information:

3 “(1) CUSTOMER INCENTIVES.—A written and
4 dated statement that shall be placed in a con-
5 spicuous and prominent location in the dealership
6 that sets out clearly and accurately for each vehicle
7 model offered by the dealer, as applicable, the incen-
8 tives, special offers or promotions available for the
9 benefit of consumers in conjunction with consumer
10 lease, purchase and installment credit transactions,
11 that shall include—

12 “(A) special interest rates that are offered
13 by automobile manufacturers, financial institu-
14 tions and leasing companies;

15 “(B) special incentives, including cash re-
16 bates and vehicle residual percentages that are
17 offered by automobile manufacturers directly to
18 consumers; and

19 “(C) special incentives and lease terms, in-
20 cluding vehicle discounts, residual value per-
21 centages and other vehicle promotions that are
22 offered to consumers by the dealer.

23 “(2) AVAILABLE LEASES.—A written and dated
24 statement for each vehicle model that the dealer
25 makes available for lease to consumers that shall be

1 placed in a conspicuous and prominent location in
 2 the dealership, and copies of which shall be made
 3 available to individual consumers upon request, that
 4 sets out clearly and accurately the following terms
 5 applicable to leases for such vehicle models—

6 “(A) the rebates and other incentives avail-
 7 able for consumers;

8 “(B) the money factor, or lease interest
 9 factor, that shall be stated as a decimal number
 10 and as an equivalent approximate annual per-
 11 centage rate; and

12 “(C) the vehicle residual value, that shall
 13 be stated as a percentage of the retail price
 14 (MSRP) of such vehicle model.”.

15 **SEC. 7. DEFINITIONS.**

16 Section 184 (15 U.S.C. 1667c), as amended by sec-
 17 tions 6 and 7, is further amended by adding at the end
 18 the following:

19 “(f) CLEARLY AND CONSPICUOUSLY.—

20 “(1) IN GENERAL.—For purposes of this sec-
 21 tion, the term ‘clearly and conspicuously’ means—

22 “(A) in print advertisements, the required
 23 disclosures and explanations of lease terms shall
 24 appear in a type size, shade, contrast, promi-
 25 nence, and location as to be readily noticeable,

1 readable, and comprehensible to an ordinary
2 consumer;

3 “(B) in the video portion of television or
4 videotaped advertisements, the required disclo-
5 sures shall appear on the screen in a type size,
6 shade, contrast, prominence, and location and
7 for a duration as to be readily noticeable, read-
8 able, and comprehensible to an ordinary con-
9 sumer;

10 “(C) in the audio portion of television,
11 videotaped, and radio advertisements, the re-
12 quired disclosures shall be delivered in a vol-
13 ume, cadence, and location and for a duration
14 as to be readily noticeable, hearable, and com-
15 prehensible to an ordinary consumer; and

16 “(D) in promotions and advertising in
17 internet webpages, CD-ROMs, or interactive
18 computer services, the required disclosures shall
19 appear in a type size, shade, contrast, promi-
20 nence, and location as to be readily readable
21 and comprehensible to users and shall be sepa-
22 rated from marketing and promotional informa-
23 tion and easily accessible under the label or
24 heading ‘Important Information for Con-
25 sumers’.

1 “(2) LIMITATION.—Nothing contrary to, incon-
2 sistent with, or in mitigation of, the required disclo-
3 sures shall be used in any advertisement in any me-
4 dium and no audio, video, or print technique shall
5 be used that is likely to obscure or detract signifi-
6 cantly from the communication of the disclosures.”.

7 **SEC. 8. ADMINISTRATIVE ENFORCEMENT.**

8 Chapter 5 of the Consumer Credit Protection Act is
9 further amended by adding the following new section:

10 **“SEC. 187. ADMINISTRATIVE ENFORCEMENT.**

11 “Compliance with section 184 of this chapter shall
12 be enforced by the Federal Trade Commission, except to
13 the extent that enforcement of the requirements imposed
14 under such section is specifically committed to another
15 agency under section 108(a) of this title. For purposes of
16 the exercise by the Commission of its functions and powers
17 under the Federal Trade Commission Act, a violation of
18 section 184 shall be deemed an unfair or deceptive act or
19 practice in violation of that Act. All of the functions of
20 and powers of the Commission under the Federal Trade
21 Commission Act are available to the Commission to en-
22 force compliance by any person with such section, irrespec-
23 tive of whether that person is engaged in commerce or
24 meets any other jurisdictional tests in the Federal Trade
25 Commission Act, including the power to enforce the provi-

1 sions of such section in the same manner as if the violation
2 had been a violation of a Federal Trade Commission trade
3 regulation rule.”.

4 **SEC. 9. REGULATIONS.**

5 The Federal Reserve Board, not later than 6 months
6 after the date of the enactment of this Act, shall issue
7 regulations to implement the amendments made by this
8 Act. The Board shall also issue regulations, together with
9 staff commentary if appropriate, to update and clarify the
10 requirements and definitions for lease disclosures and any
11 other issue relating to consumer leasing to carry out the
12 intent of the amendments made by this Act, to implement
13 any initiative to prevent the circumvention of the amend-
14 ments made by this Act, and to facilitate compliance with
15 the requirements in the amendments.

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